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Chapter 9 Counsel for Tulare Local Healthcare District

IN THE UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF CALIFORNIA  
FRESNO DIVISION

In re

TULARE LOCAL HEALTHCARE  
DISTRICT, dba TULARE  
REGIONAL MEDICAL CENTER,

Debtor.

Tax ID #: 94-6002897  
Address: 869 N. Cherry Street  
Tulare, CA 93274

CASE NO. 17-13797

DC No.: WW-72

Chapter 9

Date: January 29, 2019  
Time: 9:30 a.m.  
Place: 2500 Tulare Street  
Fresno, CA 93721  
Courtroom 13  
Judge: Honorable René Lastreto II

**MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR  
ORDER AUTHORIZING REJECTION OF SERVICE AGREEMENTS  
(FUJIFILM MEDICAL SYSTEMS USA, INC.)**

TO THE HONORABLE UNITED STATES BANKRUPTCY JUDGE:

Tulare Local Healthcare District dba Tulare Regional Medical Center (hereinafter referred to as the "District" or "Debtor"), in the above-captioned case, by and through its undersigned counsel, respectfully comes before this Court and hereby submits the following Memorandum of Points and Authorities in Support of Motion for Order Authorizing Rejection of Service Agreements (FUJIFILM Medical Systems USA, Inc.).

1 MEMORANDUM OF POINTS AND AUTHORITIES

2 I.

3 INTRODUCTION

4 1. The District hereby moves the Court pursuant to 11 U.S.C §§ 365(a) and  
5 901 for an order as follows:

6 2. This case was filed as a Chapter 9 case on September 30, 2017 ("Petition  
7 Date").

8 3. The Debtor is a California Healthcare District located in Western Tulare  
9 County. The Debtor is seeking authorization to reject Service Agreement 103568 and  
10 Service Agreement 103566 ("Service Agreements") entered into between the Debtor  
11 and FUJIFILM Medical Systems USA, Inc., which provided certain maintenance  
12 services to the District.<sup>1</sup>

13 II.

14 ARGUMENT

15 The Court should enter an order authorizing District to reject the Service  
16 Agreements. 11 U.S.C. §§ 365(a) and 901 allows the Debtor to reject any executory  
17 contract and/or unexpired lease, subject to the approval of the Court.

18 The standard for reviewing whether a contract should be assumed or rejected is  
19 one of business judgment. Group of Institutional Investors v. Chicago, Milwaukee, St.  
20 Paul and Pacific R.R. Co., 318 U.S. 523, 550 (1943). In applying the "business  
21 judgment standard, courts show great deference to a debtor's decision to assume [or  
22 reject] executory contracts, with only a cursory review of [the debtor's] decision...." In re  
23 Pomona Valley Medical Group, Inc., 476 F.3d 665, 670 (9th Cir. 2007). As long as the  
24 decision to assume or reject such contracts is a reasonable exercise of business  
25 judgment, a court should approve the assumption or rejection of an executory contract.  
26 See e.g. NLRB v. Bildisco & Bildisco, 465 U.S. 513, 523 (1984).

27  
28 <sup>1</sup> While the District recognizes that the Service Agreements may not constitute executory contracts within the meaning of 11 U.S.C § 365, the District wishes to reject the Service Agreements out of an abundance of caution and to avoid any doubt.

1 Rejection of the Service Agreements are essential to Debtor's successful  
2 reorganization because the equipment that is subject to the Service Agreements which  
3 are no longer required for the District's business operations. See Declaration of Sandy  
4 Haskins. Based on the foregoing, Debtor has exercised sound business judgment and  
5 satisfied the requirements of 11 U.S.C. § 365. Therefore, the Court should enter an  
6 order authorizing the rejection of the Service Agreements.

7 III.

8 CONCLUSION

9 WHEREFORE, the Debtor respectfully requests that the Court enter an Order:  
10 (1) authorizing the rejection of the Service Agreements; (2) fixing the date by which any  
11 claims<sup>2</sup> based on this Motion must be filed; and (3) grant such other relief as is just and  
12 proper.

13 Dated: January 14, 2019

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a Professional Corporation

14  
15  
16 By: \_\_\_\_\_

*Riley C. Walter*

Riley C. Walter  
Attorneys for Debtor, Tulare Local Healthcare  
District, dba Tulare Regional Medical Center

27  
28 <sup>2</sup> Setting such a rejection bar date should not be considered an acknowledgment by the District that there will be any  
claims for rejection. The claims bar date was set for April 10, 2018.